MINUTES OF THE BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

Sachi A. Hamai, Executive Officer-
Clerk of the Board of Supervisors
383 Kenneth Hahn Hall of Administration
Los Angeles, California 90012

At its meeting held October 7, 2008, the Board took the following action:

74/94

The following items were called up for consideration:

Item 74

Report by the Chief Executive Officer and Interim Director of Health Services on the following, in conjunction with the Health Department Budget Committee of the Whole/Joint Meeting of the Board of Supervisors:

1. The prospect of redirecting the $40 million of Tobacco Settlement funds that are in the Department of Health Services budget as a placeholder to the Public-Private Partnerships (PPP) contracts to be implemented as part of a multi-year expansion project over the next 3 to 5 years;

2. The potential utilization of the $4.8 million out of the remaining Tobacco Settlement funds to be earmarked for one-time capital infrastructure for the Los Angeles County PPP's; and

3. How the funds could be invested to enhance the County's PPP network.

Item 94

Recommendation as submitted by the Chief Executive Officer regarding use of additional FY 2007-08 General Fund, Hospital Enterprise and Special Funds/Districts' Fund Balance in Fiscal Year 2008-09.

Approve the recommended changes and corresponding appropriation adjustments to the Fiscal Year 2008-09 General County Budget. These changes transfer $390,218,000 from the Appropriation for Contingencies to various budgets including $187,167,000 in reserve in the Provisional Financing Uses budget; increase appropriation that is fully offset by revenue; and transfer appropriation from one budget unit to another or redirect existing appropriation or revenue as a result of ministerial changes.

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Approve recommend changes and corresponding appropriation adjustments to the FY 2008-09 Special Funds/Special Districts Budget, which are fully offset with various financing sources.

Approve the revised total project budgets of $1,794,000 for the Schabarum Park Bridge Project (Capital Project No. 86889) and $2,120,000 for the Eastern Avenue Hillside Project (Capital Project No. 86970).

Authorize the Acting Director of Public Works to manage and deliver construction of the Schabarum Park Bridge Project (Capital Project No. 86889); to award and execute consultant agreements, amendments, and supplements related to this project within the same authority and limits delegated to the Acting Director by your Board for County projects.

Authorize the Chief Executive Officer (CEO) to manage and deliver construction of the Eastern Avenue Hillside Project (Capital Project No. 86970); to award and execute consultant agreements, amendments, and supplements related to this project within the same authority and limits delegated to the CEO by your Board for County projects.

Authorize the CEO to execute funding agreements with other jurisdictions and agencies, described herein, in order to transfer grant funding from the Project and Facility Development Budget for planning, development, and program activities.

Authorize a cash flow advance of $2.4 million from the County's General Fund to the Alhambra Unified School District 2004 Series-A Debt Service Fund and establish a $2.4 million Reserve for Long-Term Receivables.

Yolanda Vera, Nancy Watson, Jim Mangia, and Louise McCarthy, addressed the Board on Item No. 74. Kathy Ochoa, representing SEIU Loca 721 and Ronnie Collins, Yolanda Vera and Arnold Sachs, addressed the Board on Item No. 94

William T Fujioka, Chief Executive Officer, Debbie Lizzari and Shelia Shima, Senior Chief Executive Officers, addressed the Board on Item No. 94.

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94-A

Supervisor Molina made the following statement:

> "In June 2008, on my motion, the Los Angeles County Board of Supervisors directed the Chief Executive Officer (CEO) to identify up to $44.8 million dollars to expand the infrastructure and capacity of our health care Public Private Partners (PPPs). The CEO submitted a report that identified these funds by using a combination of Department of Health Services (DHS) savings, dollars from the future health financing designation fund, and Net County Cost. The CEO has also recommended utilizing $44.8 million in Tobacco Settlement dollars to plug DHS' structural budget deficit.
>
> "While I commend the CEO's efforts, the decision of whether and how to use Tobacco Settlement funds is a policy issue for this Board. Tobacco Settlement monies are one of the few funds that the County possesses that is specifically designated for health care prevention services—and they should be utilized only for this purpose. These limited funds should not be used to plug DHS' structural deficit.
>
> "In addition, the County has an opportunity and obligation to use these Tobacco Settlement funds in a way that increases health care capacity and expands services for patients in under-equity Service Provider Areas—commonly known as SPAs. (These under-equity SPAs include SPAs 1, 3, 6, 7, and 8.)"

Therefore, on motion of Supervisor Molina, seconded by Supervisor Burke, unanimously carried, the Board took the following actions:

1. Instructed the Chief Executive Officer to designate Tobacco Settlements dollars in the amount of $44.8 million to address PPP inequity in under-equity SPAs, and designate other dollars—such as future health financing designation funds, DHS savings, and Net County Cost—to address the department's structural deficit;

2. Instructed the Chief Executive Officer to set aside $4.8 million of the $44.8 million for infrastructure investments to establish new clinic sites in under-equity SPAs, and that these designated infrastructure funds be spent before the remaining funds are distributed; and

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74/94 (Continued)

3. Instructed the Chief Executive Officer and Interim Director of Health Services to reconvene the Public Private Partnership allocation workgroup to develop recommendations to be presented to the Board within 90 days regarding the use of these funds, including:

   (a) How to most strategically use the $4.8 million in infrastructure dollars in under-equity SPAs;

   (b) How to most strategically use the remaining $40 million (given the one-time nature of these funds) to address PPP inequity in under-equity SPAs over a three-year period, including replicating successful models and leveraging additional outside funding;

   (c) Strategies for improving coordination of care—including the creation of medical homes, especially for frequent users of the emergency room services; and

   (d) Strategies on how the use of these funds can be implemented, monitored, and overseen to ensure accountability and encourage best practices.

94-B

Supervisor Burke made the following statement:

> "Funding for the general healthcare delivery at the Department of Health Services is equally important as funding preventive healthcare through the Public Private Partnership (PPP) providers. Today, this Board is considering the Chief Executive Officer's (CEO) proposal to fund PPPs through the use of general fund dollars. While it can easily be argued that Tobacco Settlement Funds are a more appropriate source of funding for PPPs, it is imperative to recognize that ultimately the outcome will be the same because either source of funding will be equal with no disparity in service delivery."

Therefore, Supervisor Burke offered an amendment to Supervisor Molina's motion, seconded by Supervisor Molina, unanimously carried, the Board directed the Chief Executive Officer to fund the PPPs in under-equity SPAs with under-served infrastructure, with either General Fund dollars or Tobacco Settlement Funds, consistent with the amounts currently reflected in the Budget recommendations.

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94-C
Supervisor Yaroslavsky made the following statement:

> "At its June 17, 2008 meeting, the Board of Supervisors proposed to develop a more refined funding methodology that would not necessarily leave any underserved area behind, even if that area was not wholly or partially contained in an 'under-equity' SPA. The Board's action stated in part that County staff would convene meetings of stakeholders in order 'to further discuss the potential for distributing funds….on the basis that involves both Service Planning Area (SPA) boundaries and service categories and *other factors* (emphasis added); and develop alternative methods of addressing unmet needs as noted in the April 22, 2008, Private Public Partnership (PPP) Allocation Formula Working Group's report.'
>
> "There are a number of ways in which the County can avoid inadvertently ignoring the ambulatory care needs of large underserved areas within its boundaries. For example, every SPA in the County contains sub-areas that are designated by the Federal government as Health Professional Shortage Areas (HPSA's) and/or Medically Underserved Areas/Populations (MUA/P's). HPSA's are designated as having shortages of primary medical care, dental or mental health providers and may be geographic, demographic or institutional. MUA/P's are designated by the Federal government as having too few primary care providers, high infant mortality, high poverty and/or high elderly population. Such Federally designated underserved areas, and the PPPs that serve or seek to serve them, should not be excluded from accessing any additional county funds for the expansion of ambulatory care services."

Therefore, Supervisor Yaroslavsky offered an amendment to Supervisor Molina's motion, which was accepted by Supervisor Molina and seconded by Supervisor Knabe, to add the following to the Chief Executive Officer and Interim Director of Health Services' PPP allocation workgroup report regarding the use of funds:

> (e) Directed that all areas of the County that are Federally designated as underserved, either medically or in terms of health professionals, may be considered, along with under-equity SPAs, for funds earmarked for expanded PPP services.

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After discussion, at the recommendation of Supervisor Antonovich, on motion of Supervisor Yaroslavsky, seconded by Supervisor Knabe, unanimously carried, the Board requested the Chief Executive Officer and Interim Director of Health Services to determine what methodology was used to enhance primary care efficiencies and cost effectiveness and how the Specialty Clinics in the augmentation of services will be handled.

After additional discussion, on motion of Supervisor Knabe, seconded by Supervisor Molina, unanimously carried, the Board accepted the Chief Executive Officer and Interim Director of Health Services' attached report (Item No. 74) as amended by the following motions.

1. Instructed the Chief Executive Officer to designate Tobacco Settlements dollars in the amount of $44.8 million to address PPP inequity in under-equity SPAs, and designate other dollars—such as future health financing designation funds, DHS savings, and Net County Cost—to address the department's structural deficit;

2. Instructed the Chief Executive Officer to set aside $4.8 million of the $44.8 million for infrastructure investments to establish new clinic sites in under-equity SPAs, and that these designated infrastructure funds be spent before the remaining funds are distributed;

3. Instructed the Chief Executive Officer and Interim Director of Health Services to reconvene the Public Private Partnership allocation workgroup to develop recommendations to be presented to the Board within 90 days regarding the use of these funds, including:

   (a) How to most strategically use the $4.8 million in infrastructure dollars in under-equity SPAs;

   (b) How to most strategically use the remaining $40 million (given the one-time nature of these funds) to address PPP inequity in under-equity SPAs over a three-year period, including replicating successful models and leveraging additional outside funding;

   (c) Strategies for improving coordination of care—including the creation of medical homes, especially for frequent users of the emergency room services; and

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(d) Strategies on how the use of these funds can be implemented, monitored, and overseen to ensure accountability and encourage best practices.

(e) Directed that all areas of the County that are Federally designated as underserved, either medically or in terms of health professionals, may be considered, along with under-equity SPAs, for funds earmarked for expanded PPP services.

4. Directed the Chief Executive Officer to fund the PPPs in under-equity SPAs with under-served infrastructure, with either General Fund dollars or Tobacco Settlement Funds, consistent with the amounts currently reflected in the Budget recommendations.

5. Requested the Chief Executive Officer and Interim Director of Health Services to determine what methodology was used to enhance primary care efficiencies and cost effectiveness and how the Specialty Clinics in the augmentation of services will be handled.

94-D

The following statement was entered into the record for Supervisors Antonovich and Molina:

> "Recent economic turmoil in the last couple of weeks may have great negative implications on County governments like Los Angeles. In the Supplemental Budget, the Chief Executive Office has taken appropriate action to ensure the County has sufficient reserves to accommodate an economic downturn. In the upcoming budget process, the CEO will explore additional measures to manage future uncertainties in the long term by reviewing newly funded programs, implementing a "structured" hiring freeze, prioritizing programs based on efficiency and cost-effectiveness and developing curtailment plans for departments.
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> "Additionally, Los Angeles County needs to ensure that critical and mandated services are not impacted and the County is poised to weather uncertainties in the economy by implementing other initiatives to provide financial stability."

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74/94 (Continued)

Therefore, on motion of Supervisor Antonovich, seconded by Supervisor Molina, unanimously carried, the Board directed the Chief Executive Officer to:

1) Establish financial targets tied to long term priorities of the Board and limited resources;

2) Set and meet targets for costs reductions for the next two years and achieve efficiencies and other savings of $100-$200 million and beyond;

3) Identify and eliminate areas of duplication of efforts among departments and look for opportunities to consolidate certain key functions and responsibilities; and

4) Report back to the board before January 27, 2009, with a status update on this motion which includes a discussion of critical and mandated services which cannot be curtailed.

94-E

The following statement was entered into the record for Supervisors Yaroslavsky and Knabe:

> “The National economy is in crisis. Over the past month alone, we have seen the federal takeover of Fannie Mae and Freddie Mac, the bankruptcy of Lehman Brothers, the sale of Merrill Lynch, the fall of American International Group (AIG), the seizure of Washington Mutual and the sale of Wachovia.
>
> “At the State level, the latest UCLA Anderson Forecast predicts the California economy will be in distress over the next two years: unemployment will continue to rise, consumer spending will decline, and tax revenues will plummet. In the latest news, the tightening credit market threatens Sacramento’s ability to pay its state workers in the weeks ahead.

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"Today, as a result of fiscal prudence and discipline on the part of the County Board of Supervisors and County budget staff, the financial health of Los Angeles County is solid. However, no one has a "crystal ball" with which to predict the fiscal future. Beyond the forecasted pressures, the County budget faces many other fiscal challenges, including the following:

- The long-overdue State budget includes $129 million in reductions to County programs.
- The County's Department of Health Services faces an estimated $1 billion deficit by FY 2011-2012.
- The Chief Executive Office's (CEO) preliminary multi-year forecast estimates a structural deficit of $181 million in the countywide operating budget by next year.

"As a result, it is imperative that we take every measure to protect the County coffers and establish a 'rainy day fund' – a mechanism to systematically sock away funds during good times and access them during times of need.

"At the State level, for example, voters approved the creation of a Budget Stabilization Account which requires annual transfers from the General Fund to the rainy day fund except during an economic downturn. If actual revenues come in well above what is anticipated, those funds are also transferred to the fund.

"In addition, State rainy day funds can only be spent under specified conditions (for example, if revenues fall below prior year spending levels) and the total amount that can be spent is capped. When the rainy day funds hit a ceiling, excess revenues above that ceiling may be used for one-time spending."

Therefore, on motion of Supervisor Yaroslavsky, seconded by Supervisor Antonovich, unanimously carried, the Board directed the Chief Executive Officer to report back within 60 days on the feasibility of implementing a "rainy day fund," including recommendations on the following:

- The amount of annual transfers from the General Fund to the rainy day fund, such as 3 percent of the total annual Fund Balance;

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74/94 (Continued)

- The conditions under which rainy day funds may be spent, including a cap on the total amount that may be spent; and,

- The maximum amount, if any, that the rainy day fund should reach before excess funds could be spent for one-time purposes.

94-F

Supervisor Yaroslavsky made the following statement:

> "One of the Department of Regional Planning's most critical functions is ensuring that project conditions and environmental mitigation measures that the Department, the Regional Planning Commission, and the Board of Supervisors place on projects are actually followed. Reliable and consistent enforcement of these conditions are the only way that the County can adequately assure neighbors of any project that their legitimate concerns will be addressed and that the County will keep its promise to protect our residents' quality of life."

Therefore, on motion of Supervisor Yaroslavsky, seconded by Supervisor Antonovich, unanimously carried, the Board instructed the Chief Executive Officer, in cooperation with the Director of Regional Planning, to report back within 30 days regarding:

1) The adequacy of the Department of Regional Planning's existing mitigation monitoring program compliance checks and enforcement of conditional use permit conditions;

2) The amount of available funding that the Department has dedicated to this effort, the amount of money that the Department has been collecting, and the amount that it has been expending over the past two fiscal years, and the amount that it expects to collect in future fiscal years;

3) A staffing plan to ensure that this function is adequately and consistently performed, and that this function is fully off-set by departmental revenues; and

4) A recommended mechanism for ensuring that fees are consistently collected, inspections are performed as required, and mitigation monitoring programs are fully complied with.

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94-G

Supervisor Antonovich made the following statement:

> "Many persons receiving services for their alcohol and drug problems, as well as many persons receiving mental health services, need integrated services for their co-occurring mental health and substance abuse problems. According to the United States Surgeon General, an estimated 51 percent of persons with a lifetime history of one or more primary diagnoses of mental disorders also have a lifetime history of at least one substance abuse disorder. In addition, 41 to 65 percent of persons with a lifetime history of at least one diagnosed substance abuse disorder also have a lifetime history of at least one diagnosed mental disorder. A consensus of experts, supported by research literature, indicate integrated treatment approaches are most effective in treating persons with co-occurring mental health and substance abuse disorders. Yet in the County, alcohol and drug services and mental health services remain placed in separate departments.
>
> "Federal, State and County agencies throughout the United States are increasingly consolidating administrative structures for their mental health and substance abuse services. In California, the great majority of counties have already established behavioral health organizational structures.
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> "This is consistent with the recommendation of the Los Angeles County Civil Grand Jury in its report to the Board of Supervisors on establishing a Health Authority (Recommendation 1.8 – Consider placing the Alcohol and Drug Program Administration (ADPA) function under the Department of Mental Health (DMH) and creating a Behavioral Health Department). The Grand Jury report also concluded that the combined structure would provide opportunities to enhance interaction between the two services."

Therefore, on motion of Supervisor Antonovich, seconded by Supervisor Yaroslavsky, unanimously carried, the Board directed the Chief Executive Officer to develop recommendations to the Board within 30 days regarding the transfer of Alcohol and Drug Program Administration from its current placement in the Department of Public Health to the Department of Mental Health.

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Lastly, on motion of Supervisor Knabe, seconded by Supervisor Antonovich, unanimously carried, the Board approved the Chief Executive Officer's recommendations (Item No. 94) as amended to remove the reduction of 540.0 unfunded vacant budgeted positions at LAC+USC Medical Center to adjust the facility's budgeted staffing to historical levels, with an associated adjustment to budgeted salary savings, resulting in no change in cost and to report back in January 2009.

In addition, the Chief Executive Officer was instructed to report back to the Board on the dates indicated on the following subject matters:

October 21, 2008
Storm water and Martin Luther King.
November 11, 2008
The impact of the State Budget, the hiring freeze and programs approved in the Fiscal Year 2008-09 proposed and Final Changes Budget.
January 2009
On items deferred in Provisional Financing Uses.

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Attachments

Copies distributed:
Each Supervisor
Acting Auditor-Controller
Chief Executive Officer
All Department/District Heads